

Top 10 Medicare Mistakes

Common errors can be costly, but here's how to avoid them

by [Patricia Barry](#), Updated April 2016

Medicare is uncharted territory for most of the 10,000 people who come into the program each day. It's not a minefield, exactly, but lurking in the undergrowth are pitfalls and traps that can be costly unless people take care to dodge them.

"Avoiding the most common mistakes in Medicare can make the difference between having good financial and health security — or not," says Joe Baker, president of the Medicare Rights Center, a national consumer group. The center hears constantly from older Americans who've been forced to go without coverage for many months or to pay higher premiums for the rest of their lives — just because they didn't know the rules about enrollment.

"We are campaigning to get the federal government to send a letter to everyone in their 64th year saying here's what you need to know and who to call to get a question answered," Baker adds. But right now, absent that information, here are the top 10 Medicare mistakes to beware of.

Mistake 1. Assuming you don't qualify if you haven't worked long enough

Earning 40 credits by paying payroll taxes at work — about 10 years' work — ensures that you won't have to pay premiums for Part A services (mainly hospital insurance) when you join Medicare. But you don't need any work credits to qualify for Part B (doctors' services, outpatient care, medical equipment) and Part D (prescription drugs), provided that you're 65 or older, and a U.S. citizen or a legal resident who's lived in the United States for at least five years. You may also qualify for Part A benefits on your spouse's work record, or you can pay premiums for them. If you wait to sign up until you've earned 40 credits, you may end up paying permanent late penalties.

Mistake 2. Failing to enroll in Part B when you should

Signing up at the time that's right for you is critical. If you don't, you risk late penalties, in the form of surcharges added to your premiums for all future years, and delays of several months before coverage kicks in. If you have health coverage beyond age 65 from an employer for which you (or your spouse) actively work, and the employer has 20 or more workers, you can delay Part B enrollment without penalty until the job ends. Otherwise, you need to sign up during your seven-month initial enrollment period — which includes the month you turn 65, three months before and three months after.

Mistake 3. Believing you don't need Medicare Part B if you have retiree or COBRA health coverage

Part B is optional, so you are not obliged to enroll. But you should carefully check with your retiree plan to see how it fits in with Medicare. In many such plans, Medicare automatically

becomes primary coverage and the plan pays only for a few services that Medicare doesn't cover. In that case, if you fail to sign up for Part B when you're required to, you'll essentially have no coverage.

COBRA allows you to continue on your present employer's health care plan after your job ends, usually for about 18 months. But as soon as you're no longer actively working for this employer, COBRA coverage doesn't allow you to delay Part B enrollment without risking late penalties. In this situation, you need to sign up for Part B before the end of your initial enrollment period at age 65, or (if your job ended after that period) no later than eight months after you stopped work.

Mistake 4. Thinking you must reach full retirement age before signing up

Full retirement age for most people is now 66, which will gradually increase to 67 for those who were born after 1959. But if you want to avoid late penalties, you need to sign up for Medicare at age 65, unless you have health coverage from your own job or from your spouse's current place of employment. You don't need to wait until you retire and are collecting Social Security benefits to enroll in Medicare.

Mistake 5. Not signing up for Part D because you don't take any prescription drugs

Why pay Part D premiums if you need no medicines? Because you don't have a crystal ball and can't be sure that you won't get some unforeseen illness or suffer an injury that takes expensive drugs to treat. (Some cancer drugs cost thousands of dollars a month.) Part D, like all insurance, provides coverage when you need it, but doesn't allow you to wait to sign up until the need becomes urgent. And when you do finally enroll, you'd risk late penalties permanently added to your Part D premiums — unless you have "creditable" drug coverage from elsewhere (such as retiree benefits) that Medicare considers at least as good as Part D. One solution (if you don't have such drug coverage from elsewhere): Pick the plan with the lowest premium, so you get coverage at the least cost.

Mistake 6. Misunderstanding enrollment periods

You may have read about "open enrollment" and gotten the idea that this is the only time you can sign up for Medicare. Not true! In Medicare, open enrollment (Oct. 15 to Dec. 7 each year) is only for people who are already in the program and want to change their coverage for the following year.

If you're coming into Medicare for the first time, you get your own enrollment period — either around the time that you turn 65, or throughout the time you have your own health coverage from your employment or your spouse's employment, and for up to eight months after it ends.

If you miss your personal deadlines because you're waiting for open enrollment, you risk delayed coverage and permanent late penalties. (Different enrollment periods apply in some other situations — for people who qualify for Medicare due to disability, for example, or for legal immigrants.)

Mistake 7. Picking a Part D drug plan on the basis of its premium or its name or because your best friend chose it

The best way to pick a plan is according to the specific drugs you take, because Part D plans do not cover all drugs and they charge widely differing copays, even for the same drug.

You can compare coverage and costs for your own drugs among different plans by using the plan finder program on [medicare.gov](https://www.medicare.gov) or by calling Medicare at 800-633-4227.

Mistake 8. Being too late to buy medigap with full protections

Medigap supplemental insurance is extra coverage that you can choose to buy privately to cover some or most of your out-of-pocket expenses in traditional Medicare, such as deductibles and copays. But to get the full federal protections, you need to buy it at the right time and you must be 65 or older. If you buy a medigap policy within six months of enrolling in Part B or in a few other specific circumstances, medigap insurers can't deny you coverage or charge higher premiums based on your current health or pre-existing medical conditions.

Outside of those time frames, they can do both. (People under 65 don't get this federal umbrella, but some states provide similar protections.)

The six-month window that you are given after enrolling in Part B is a one-time opportunity. So if you sign up for Part B when you're 65, but continue to have employer insurance from your own or your spouse's current employment beyond the six-month deadline, you will fail to qualify for federal protections if you want to buy medigap when you (or your spouse) retire. (However, if you joined Part B under age 65 because of disabilities, you will have another opportunity for federal protections if you buy a medigap policy during the six months after your 65th birthday.)

Mistake 9. Failing to read your Annual Notice of Change

This important document comes in the mail each September if you're enrolled in a Medicare Advantage plan (HMO or PPO) or a Part D prescription drug plan. It specifies what changes the plan will make in its costs and coverage for the following year. You can then compare it with other plans during open enrollment (Oct. 15 to Dec. 7) and switch if you want. Failing to read the notice can result in nasty shocks on Jan. 1 if you stay with a plan that hikes its charges.

Mistake 10. Not realizing that you may qualify for help to lower your costs

Medicare comes with many expenses — premiums, deductibles, copays — that many people find hard to pay. So if your income is limited, be sure to check out two programs that can reduce those costs if you qualify. Under a Medicare Savings Program, your state pays the Part B premiums and maybe other expenses. Under the federal Extra Help program, you get low-cost Part D prescription drug coverage. To see if you qualify for either program, contact your state health insurance assistance program (SHIP), which provides free counseling on Medicare issues. To find its toll-free phone number, go to [shiptacenter.org](https://www.shiptacenter.org) and select your state.

Understanding Medicare's Alphabet Soup

Part A helps pay for stays in hospitals and skilled nursing facilities, home health services, and hospice care, as long as certain conditions are met. You don't pay monthly premiums for Part A if you (or your spouse) paid sufficient Medicare payroll taxes while working. Otherwise, you can buy Part A services by paying monthly premiums.

Part B helps pay for doctors' services (both in and out of the hospital) and outpatient care such as lab work and screenings. It also covers some medical equipment and supplies, such as wheelchairs and oxygen, if certain conditions are met, and most drugs or vaccines that are administered in a doctor's office. You pay monthly premiums for Part B, unless your income is limited enough to qualify for state assistance. Medicare typically pays 80 percent of the Medicare-approved cost of each service, and you pay 20 percent — unless you have supplemental insurance that covers these out-of-pocket expenses.

Part C provides an alternative way to receive Medicare services through Medicare Advantage, which is administered through private managed-care plans such as HMOs and PPOs. These plans must cover all the same services as the traditional Medicare program (Parts A and B), but may charge lower copays. The plans may also (at their discretion) offer Part D drug coverage and some extras, such as routine dental, vision and hearing care. You may pay a monthly premium (in addition to the Part B premium), although some plans charge no premiums of their own. Medicare Advantage plans may restrict your choice of doctors and other providers, or charge higher copays for going out of network.

Part D helps pay for prescription drugs that you use at home. You can get this coverage in one of two ways: by joining a private "stand-alone" Part D drug plan for an additional monthly premium (if you are enrolled in traditional Medicare), or by enrolling in a Medicare Advantage plan that includes Part D coverage in its benefits package.